Annual Report

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Mission

The mission of Société générale de financement is to promote and execute, in cooperation with partners, industrial development projects in strategic sectors in accordance with the economic policies of the Government of Québec.

In this capacity, SGF manages a group of larger manufacturing enterprises and is responsible for the planning and development of the companies it controls, in accordance with criteria of growth and profitability. SGF was established in 1962 and its shareholder is the Government of Québec. With assets of $1.2 billion in 1989, SGF is one of the largest industrial groups in Québec.

At December 31, 1989, SGF was active in the aluminum, petrochemical, forest products, transportation equipment, shipbuilding and energy equipment industries.

To further promote industrial development based on Québec's strategic advantages, SGF intends to enter other sectors, including environmental services and electronics, chosen for their potential in terms of growth, earnings and synergy.

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The performance of Société Générale de financement du Québec in 1989 was affected by global events, by a loss in connection with MIL operations and by less favorable conditions in the aluminum and polyethylene markets compared to 1988. SGF nevertheless pursued its strategic objectives in accordance with its mission. New capital projects totalling more than $1.5 billion were undertaken during the year.

These projects will be carried out in the period from 1990 to 1993. In addition to economic spinoffs from their construction, they are expected to create 4,400 direct and indirect permanent jobs and generate some $520 million annually in added value.

Financial Results

For the year ended December 31, 1989, SGF sustained a net loss of $227.4 million compared to net earnings of $147.0 million for the previous year. Sales were $559.4 million, a slight increase of $19.6 million over 1988.

These results were essentially due to a provision that Groupe MIL was obliged to make for losses on contracts in progress, and to a lesser extent to global economic conditions affecting all of the industries in which Groupe SGF companies are active.

A loss and a provision related to the winding up of MIL Vickers operations, a loss sustained in completing a ferry vessel and a provision for losses on shipbuilding contracts in progress resulted in a net loss of $307.5 million for MIL in 1989 compared to a loss of $18.2 million in 1988. MIL sales were $269.6 million for the year compared to $214.9 million for the previous year.

Groupe MIL recorded as a provision and losses for the year the excess over sale price of the projected total cost of construction of ships for the Canadian navy. The estimates have been confirmed by outside naval engineering experts. However, these charges are not expected to affect SGF cash flow before 1991. Meanwhile, the Québec and Canadian governments are holding discussions regarding equitable compensation for projected losses in connection with the MIL contracts. On May 25, SGF submitted to the Government of Canada a detailed report on the precarious position of Groupe MIL.

The aluminum industry was affected by an economic slowdown that was especially marked in auto parts and homebuilding, two key sectors for aluminum demand. The softening of aluminum prices resulted in reduced margins for Albecour. Sales were $144.2 million in 1989 compared to $162.1 million in 1988. Net earnings remained at a relatively high level of $48.8 million compared to $64.3 million a year earlier.

Sales and earnings of Éthylec Inc. declined in 1989 for the first time since 1986. Net earnings were $23.6 million on sales of $145.6 million compared to net earnings of $52.2 million on sales of $162.8 million the previous year. The lower level of performance was due to difficult conditions in the petrochemical industry during the second half of 1989. International supply and demand were upset by China's curtailment of polyethylene imports. The result was a polyethylene and ethylene glut and a drop in prices for these products.

Because of the importance of these overseas shipments, Pétromont sustained a rapid drop in revenues and an increase in inventories. Pétromont had net earnings of $40.0 million on sales of $278.3 million in 1989 compared to earnings of $104.7 million on sales of $315.9 million in 1988.

Alcools de Commerce had earnings of $1.6 million on sales of $31.1 million compared to earnings of $1.9 million on sales of $30.8 million the previous year.

Unfavorable conditions in the newsprint, packaging and gypsum markets, a stronger Canadian dollar, a major reorganization expense and higher interest expenses resulted in unsatisfactory earnings for Domtar in 1989. Net earnings fell to $33 million from $111 million in 1988. For businesses that have been continued, earnings were $15 million compared to $103 million in 1988. The 1989 results include a one-time $35 million charge against earnings in connection with the restructuring announced in October. They also reflect the twelve-month effects of adverse exchange rates, evaluated at $50 million.

The automotive industry is cyclical. From 1986 until 1988, sales were boosted by price discounting. Sales of some vehicle lines slowed in 1989 and the result was a lower-than-expected level of operations at Ligma Corporation. In addition, various problems of production startup hurt Ligma's profitability for the year. Ligma had sales of US $35.3 million for 1989. SGF's share of the loss for the year was C$7.9 million.

Current Capital Projects

On September 1, 1989, the Alouette smelter construction project at Sept-Îles was officially launched by SGF and its partners Austria Metall of Austria, Kobe Steel of Japan, VAW of West Germany, Marubeni Corporation of Japan and Hoogovens Group of the Netherlands, represented by their Canadian and Québec subsidiaries. The Alouette smelter will use advanced technology to produce 215,000 tonnes of aluminum annually. It represents an investment of $1.3 billion. Work at the Pointe-Noire site began on September 5; the first pot is expected to begin producing in 1992.

SGF holds a 20% undivided interest in the Alouette smelter and, as with Bécancour, has assumed responsibility for its share of construction costs, operating expenses, raw materials procurement and aluminum products marketing.

Construction of a third potline at Bécancour, authorized on December 1, 1988, is progressing rapidly. The project remains on schedule for startup by January 15, 1991. This expansion, an investment of approximately C$550 million, will bring Bécancour annual capacity to 360,000 tonnes.

In 1989 Pétromont launched two large-scale projects that will be largely completed over the next two years. This investment program, valued at more than $200 million, will enable the company to become fully competitive in the world market and will lay the groundwork for further development. The production and storage capacity of the Varennes ethylene facility will be increased from 225 kilotonnes to 265 kilotonnes and Pétromont will be able to improve the productivity of the plant and better exploit its capacity. In addition, Pétromont acquired the Montréal-Est low-density polyethylene plant from Union Carbide Canada with the aim of integrating its polyethylene operations and installing a UNIPOL reactor. With this reactor, the plant will be able to produce yearly up to 200,000 tonnes of high-density polyethylene to gradually replace low-density production.

In a consortium with Soquip, Noverco and SNC, Pétromont is also pursuing development of the Soligaz project. This project consists of two complementary investment programs: construction of a new pipeline for transport of natural gas liquids to Montréal, and construction of infrastructures such as docks, underground storage facilities and loading equipment at Varennes on the south shore of the St. Lawrence River.

Development Outlook

An SGF objective for 1989 was to study the possibility of adding two new sectors — environmental services and electronics — to its existing development priorities. The long-term outlook in these areas remains promising and project planning is under way. The success factors turn on the technologies used and the international competitiveness of each project.

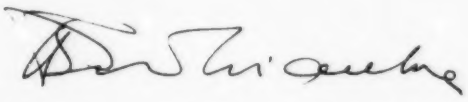
Board of Directors

The Board of Directors accepted the resignation of Mr. J. Frank Roberts on February 3, 1989 and Mr. Robert Tessier on December 1, 1989. Both directors made significant contributions to the Board and to SGF.

The Board welcomed as new directors Mr. Jean-Yves Leblanc and Mr. André Brouillette, appointed August 31 and December 21 respectively.

Speaking personally as well as for the Board, I would like to express my deep appreciation to all employees of SGF and its subsidiaries and affiliated companies for their sustained efforts throughout the year.

Paul Berthiaume



Chairman of the Board and Chief Executive Officer

Montréal, June 28, 1990.

Aluminum

SOCIÉTÉ GÉNÉRALE D'ALUMINERIE INC.
SOCIÉTÉ GÉNÉRALE DE FINANCEMENT DU QUÉBEC 100%

ALBECOUR, SOCIÉTÉ EN COMMANDITE
SOCIÉTÉ GÉNÉRALE D'ALUMINERIE INC. 100%

ALUMINERIE DE BÉCANCOUR INC.
PECHINEY REYNOLDS QUÉBEC INC. 50.1%
ALBECOUR, SOCIÉTÉ EN COMMANDITE 24.95%
ALUMAX QUÉBEC INC. 24.95%

2645-6608 QUÉBEC INC.
SOCIÉTÉ GÉNÉRALE DE FINANCEMENT DU QUÉBEC 100%

ALUMINERIE ALOUETTE INC.
2645-6608 QUÉBEC INC. 20%
SOCIÉTÉ EN COMMANDITE VAW ALUMINIUM CANADA 20%
ALUMINIUM AUSTRIA METALL (QUÉBEC) INC. 20%
KOBE ALUMINIUM CANADA INC. 13.33%
MARUBENI QUÉBEC INC. 6.67%
HOOGOVENS ALUMINIUM QUÉBEC, SOCIÉTÉ EN COMMANDITE 20%

Petrochemicals

ÉTHYLEC INC.
SOCIÉTÉ GÉNÉRALE DE FINANCEMENT DU QUÉBEC 100%

PÉTROMONT, SOCIÉTÉ EN COMMANDITE
ÉTHYLEC INC. 50%
UNION CARBIDE CANADA LIMITED 50%

ALCOOLS DE COMMERCE ENRG.
ÉTHYLEC INC. 50%
UNION CARBIDE CANADA LIMITED 50%

PIPELINE SHAWINIGAN ENRG.
ÉTHYLEC INC. 50%
UNION CARBIDE CANADA LIMITED 50%

Forest Products

DOFOR INC.
SOCIÉTÉ GÉNÉRALE DE FINANCEMENT DU QUÉBEC 100%

DOMTAR INC.
DOFOR INC. 27.7%

Shipbuilding and Energy-Related Equipment

LE GROUPE MIL INC.
SOCIÉTÉ GÉNÉRALE DE FINANCEMENT DU QUÉBEC 65%
GEC ALSTHOM NV 35%

Transportation Equipment

INDUSTRIES DEVMA INC.
SOCIÉTÉ GÉNÉRALE DE FINANCEMENT DU QUÉBEC 100%

LES INDUSTRIES MFB ENRG.
FIBRECORP INDUSTRIES INC. 55%
INDUSTRIES DEVMA INC. 45%

LES TECHNOLOGIES MFB INC.
LES INDUSTRIES MFB ENRG. 100%

LIGMA CORPORATION
MAGNA INTERNATIONAL INC. 55%
INDUSTRIES DEVMA INC. 45%

Other Investments

GEC ALSTHOM ÉNERGIE, INC.
SOCIÉTÉ GÉNÉRALE DE FINANCEMENT DU QUÉBEC 10%

NOVACAP INVESTMENTS INC.
SOCIÉTÉ GÉNÉRALE DE FINANCEMENT DU QUÉBEC 15.7%

Officers' Report

To the Shareholder
of Société générale de financement du Québec

In the course of its activities, the board of directors of Société générale de financement du Québec has delegated to its officers the preparation of its 1989 consolidated financial statements.

These consolidated financial statements have been audited by an independent firm of auditors, Samson Bélair, before their presentation to the board of directors who approved them upon recommendation of the duly constituted and appointed Audit Committee.

The management believes that these statements have been prepared in accordance with generally accepted accounting principles. They take into consideration, within reasonable limits, all significant accounting policies referred to in the notes to consolidated financial statements.

The information contained in this financial report complies with the consolidated financial statements included herein.

Paul Berthiaume

President and Chief Executive Officer

Montreal, June 28, 1990.

Auditors' Report

To the Shareholder of
Société générale de financement du Québec

We have examined the consolidated balance sheet of Société générale de financement du Québec as at December 31, 1989 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of Société générale de financement du Québec as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Samson Bélair

Chartered Accountants

Montréal, February 15, 1990

Consolidated Balance Sheet

as at December 31
(in thousands of dollars)

	1989	1988
Current assets		
Cash and temporary investments	$ 194,797	$ 215,819
Accounts receivable	110,778	127,405
Contracts in progress, net of progress billing	2,730	
Inventories	45,446	35,199
Prepaid expenses	4,470	3,642
Current portion of long-term investments	5,355	4,105
Net assets of discontinued operations (Note 2)		10,886
	363,576	397,056
Long-term investments (Note 3)	409,564	413,938
Fixed assets, less depreciation of $138,660,000 ($144,398,000 in 1988)	396,950	336,106
Start-up costs, less amortization of $23,851,000 ($16,648,000 in 1988)	12,457	19,367
Other assets	15,449	11,180
	$ 1,197,996	$ 1,177,647

	1989	1988
Current liabilities		
Bank loans (Note 4)	$ 48,758	$ 2,533
Accounts payable and accrued liabilities	98,780	91,762
Current portion of long-term debt	21,087	20,452
Net liabilities of discontinued operations (Note 2)	3,610	
Progress billing, net of costs of contracts in progress		20,889
Current portion of long-term advances		7,500
	172,235	143,136
Deferred foreign exchange gain	16,386	19,262
Long-term advances on contracts and deferred revenue	28,450	32,052
Provision for foreseeable loss on contracts in progress (Note 5)	257,506	
Long-term debt (Note 6)	159,494	167,172
Minority interest	21,610	20,788
Shareholder's equity		
Capital stock (Note 7)	347,500	347,500
Translation adjustment	(4,589)	(4,108)
Retained earnings	199,404	451,845
	542,315	795,237
	$ 1,197,996	$ 1,177,647

On behalf of the board

_____, Director

_____, Director

Consolidated Statement of Earnings

year ended December 31
(in thousands of dollars)

	1989	1988
Sales	**$ 559,441**	$ 539,830
Earnings before the following items	**$ 71,118**	$ 129,547
Deduct		
Depreciation of fixed assets	**21,735**	21,830
Amortization of start-up costs	**7,203**	7,353
Amortization of goodwill	**900**	900
Amortization of deferrd foreign exchange gain	**(7,515)**	(7,328)
Interest and expenses on long-term debt	**17,748**	18,209
Interest and expenses on short-term debt	**3,246**	189
	43,317	41,153
Add		
Investment income	**27,565**	21,963
Share in earnings (losses) of companies subject to significant influence	**(5,767)**	24,833
	21,798	46,796
	49,599	135,190
Foreseeable loss on contracts in progress (Note 5)	**(257,506)**	
Minority interest	**(822)**	5,466
Earnings (loss) from continuing operations	**(208,729)**	140,656
Discontinued operations		
Earnings (loss) from discontinued operations (Note 2)	**(21,628)**	4,419
Share in earnings of discontinued operations of companies subject to significant influence	**2,916**	1,934
Net earnings (loss)	**$(227,441)**	$ 147,009

Consolidated Statement of Retained Earnings

year ended December 31
(in thousands of dollars)

	1989	1988
Balance at beginning	**$ 451,845**	$ 322,326
Net earnings (loss)	**(227,441)**	147,009
Transfer from contributed surplus		2,510
	224,404	471,845
Dividends	**25,000**	20,000
Balance at end	**$ 199,404**	$ 451,845

Consolidated Changes in Financial Position

year ended December 31
(in thousands of dollars)

	1989	1988
Operating activities		
Cash provided by continuing operations (Note 8)	$ 89,220	$ 144,931
Changes in non-cash operating working capital items related to operations and holdbacks on contracts	24,254	(44,508)
	113,474	100,423
Financing activities		
Changes in long-term debt	(2,404)	(8,890)
Changes in long-term advances on contracts and deferred revenue	(11,102)	(8,796)
Increase in minority interest		20,500
Dividends paid	(25,000)	(20,000)
	(38,506)	(17,186)
Investing activities		
Net changes in long-term investments	(13,116)	(4,203)
Net start-up costs	(293)	48
Net acquisition of fixed assets	(82,267)	(32,529)
Other assets	(8,843)	
	(104,519)	(36,684)
Changes in cash provided by continuing operations	(29,551)	46,553
Cash provided by (used for) discontinued operations	(37,696)	35,438
Cash at beginning	213,286	131,295
Cash at end	$ 146,039	$ 213,286

Cash comprises cash and temporary investments, net of bank loans.

1. Significant accounting policies

a) Consolidation principles

The consolidated financial statements include the accounts of the Company, those of its subsidiaries, which are accounted for under the full consolidation method, as well as the accounts of its partnerships and limited partnerships, which are accounted for under the proportionate consolidation method.

The earnings of subsidiaries, partnerships and limited partnerships are included in the consolidated financial statements as of their respective dates of acquisition and until their respective dates of disposition, if applicable.

b) Accounting of revenue from design and manufacturing contracts

The Company accounts for its revenue from shipbuilding and from naval and industrial engineering under the percentage of completion method; revenue from the hydroelectric sector is accounted for as units are completed. The Company provides for any foreseeable loss.

c) Inventories

Inventories are valued at the lower of average cost and net realizable value.

d) Contracts in progress

Contracts in progress include the costs of direct labour, materials and overhead plus any estimated profit.

e) Long-term investments

The investments in Domtar Inc. and Ligma Corporation, companies subject to significant influence, are accounted for using the equity method. Other long-term investments are recorded at cost.

f) Consolidated goodwill

Goodwill is amortized using the straight-line method over a period of forty years.

g) Fixed assets and depreciation

Fixed assets are recorded at cost, less all related grants. The Company provides for depreciation principally using the straight-line method based on the estimated useful lives of the assets.

h) Start-up costs

Start-up costs include the excess of operating costs incurred during a smelter start-up stage over comparable operating costs during normal operation, plus financial expenses incurred during this same period. These costs are amortized using the straight-line method over a period of five years in proportion to the number of pots put into operation.

i) Income taxes

Earnings of the Company and of its wholly-owned subsidiaries are not subject to income tax. The other companies, which are subject to income tax, follow the tax allocation method in providing for income taxes.

j) Translation of foreign currency

Monetary assets resulting from foreign currency transactions are translated into Canadian dollars using the year-ended exchange rates. Sales, purchases and capital expenditures are translated throughout the year at the exchange rates prevailing at the transaction dates.

Exchange gains or losses arising on translation of long-term debt are deferred and amortized using the straight-line method over its remaining life.

The translation adjustment shown in shareholder's equity includes mainly the exchange gains or losses arising on translation of investments in foreign subsidiaries.

k) Pension plans

Current service pension costs of defined benefit plans are included in the earnings for the year. The cost of past services and the actuarial surplus or deficit are amortized over the expected average remaining service life of the employee group which benefits from the plans.

2. Discontinued operations

During the year, management decided to discontinue the operations of MIL Vickers Inc., a company which designed and manufactured industrial products. The net assets (liabilities) include the following items at realizable value.

	1989	(in thousands of dollars)	1988
Net assets (liabilities) from discontinued operations			
Current assets, excluding fixed assets for sale	$ 18,939		$ 13,643
Fixed assets for sale	4,500		7,380
Current liabilities	(27,049)		(10,137)
	$(3,610)		$ 10,886
Earnings (loss) from discontinued operations			
MIL Vickers Inc.	$(21,628)		$(4,972)
Industries Tanguay Inc. and Bio-Méga Inc.			9,391
	$(21,628)		$ 4,419

Sales from discontinued operations amount to $17,774,000 in 1989 ($30,349,000 in 1988).

3. Long-term investments

Domtar Inc., market value of $312,195,000 ($351,219,000 in 1988)	$ 352,898	$ 360,988
Ligma Corporation	7,577	
Other		
Subordinated debentures, 6%, payable until 1997	20,000	22,500
Subordinated notes, at a maximum rate of 8½% until March 1993 and at prime rate thereafter, payable in 1998	20,000	20,000
Note, 8%, payable in 1990	2,500	2,500
Other investments	11,944	12,055
	414,919	418,043
Current portion	5,355	4,105
	$ 409,564	$ 413,938

The Company holds 27.69% (27.82% in 1988) of the voting shares of Domtar Inc. The carrying value of the investment includes unamortized goodwill of $34,175,000 ($35,397,000 in 1988).

On March 7, 1989, the Company subscribed for 45% of the voting shares of Ligma Corporation for a total price of $15,726,680 (US $13,196,845). The carrying value of the investment includes unamortized goodwill of $3,740,000 (US $3,228,000).

Goodwill represents the excess of the cost of the shares over the book value of net assets of companies subject to significant influence as of their dates of acquisition, and is amortized under the straight-line method over forty years.

4. Bank loan guarantees

The short-term bank loan of a subsidiary amounting to $37,389,000 ($828,000 in 1988) and the subsidiary's letters of guarantee are secured by a general assignment of inventories and accounts receivable as well as some of the subsidiary's term deposits and bonds issued under trust deeds carrying fixed and floating charges on all other assets of the subsidiary not specifically pledged.

5. Provision for foreseeable loss on contracts in progress

A subsidiary of the Company has recorded $257,506,000 as a provision and loss for the year representing the excess of the aggregate foreseeable loss from construction of vessels over their selling price. The provision has been determined using naval engineers' reports; construction of vessels should end in 1994. The provision for foreseeable loss has been presented long-term because it should not affect the Company's working capital before the end of 1991.

6. Long-term debt

	1989	(in thousands of dollars)	1988
Subsidiaries			
Bank loans, at prime rate plus ⅛ of 1% or LIBOR rate plus ½ of 1%, secured by the Province of Quebec, payable in semi-annual instalments	$ 146,635		$ 168,827
Due to the federal government, without interest, payable in annual instalments of $1,000,000 as of 1991	10,000		3,333
Loan, at prime rate, secured by debentures issued under trust deeds which carry specific or floating charges on all assets of a subsidiary not specifically pledged, payable until 1997	7,200		8,105
Bond, as an investment vehicle for a subsidiary's pension fund, 7%, payable until 1994	5,381		
Due to a company subject to significant influence, without interest, no terms of payment	5,000		
Bonds, 11 ⅛%, secured under a first trust deed which carries specific or floating charges on all assets of a subsidiary not specifically pledged, maturing in 1991	2,920		4,220
Other	3,445		3,139
	180,581		187,624
Current portion	21,087		20,452
	$ 159,494		$ 167,172

Long-term debt includes $126,650,000 ($141,550,000 in 1988) in US currency.

Under interest rate swap agreements, a subsidiary has fixed the rate on a portion of long-term debt amounting to US $70,000,000 at an average effective interest rate of 9.90% over a remaining average life of 1.3 years.

Capital payments due within each of the next five years are as follows:

	CA $	US $
1990	3,836,000	14,900,000
1991	4,751,000	16,763,000
1992	4,030,000	18,625,000
1993	3,184,000	20,487,000
1994	2,580,000	22,350,000

7. Capital stock

The Company's shares are owned by the Province of Québec.

	1989	(in thousands of dollars)	1988
Authorized shares with a par value of $10 each			
41,500,000 Common shares			
Issued and paid			
34,750,000 Common shares	$ 347,500		$ 347,500

8. Cash provided by continuing operations

Earnings (loss) from continuing operations	$(208,729)	$ 140,656
Items not affecting cash		
Depreciation of fixed assets	21,735	21,830
Amortization of start-up costs	7,203	7,353
Amortization of deferred foreign exchange gain	(7,515)	(7,328)
Other amortization	900	900
Gain on disposal of fixed assets	(477)	(189)
Share in losses (earnings) of companies subject to significant influence	5,767	(24,833)
Dividends from a company subject to significant influence	12,008	12,008
Minority interest	822	(5,466)
Provision for foreseeable loss on contracts in progress	257,506	
	$ 89,220	$ 144,931

9. Commitments

a) **Société générale d'aluminerie Inc.**

On December 1, 1988, the owners of Aluminerie de Bécancour Inc. announced an investment of $550,000,000 for the construction of a third potline at the Bécancour plant. As at December 31, 1989, the balance of future commitments was $316,000,000. The Company's share of this commitment amounts to $78,842,000.

b) **Pétromont, société en commandite**

Pétromont, société en commandite, which is affiliated with Éthylec Inc., received financial assistance from the governments of Canada and Québec totalling $50,000,000 for the years 1983 and 1984 as compensation for losses incurred during these two years. This financial assistance included clauses providing for reimbursement, beginning with the year ending December 31, 1993 and depending on the profitability of the partnership, up to a maximum of $10,000,000 per year. Reimbursement in the amount of $10,000,000 was accounted for during the year ended December 31, 1988 and was reversed in 1989 following receipt of a postponement in the application of the reimbursement clauses. The share of this reimbursement in the financial statements of the Company amounts to $5,000,000.

Pursuant to an agreement ended December 31, 1989, Pétromont, société en commandite, received financial assistance from the Government of Québec in previous years to compensate for certain operating losses and provide financing for certain capital projects. This agreement includes clauses for reimbursement of this financial assistance. During the year ended December 31, 1989, Pétromont did not reimburse any amount ($2,977,000 in 1988) to the Government of Québec. The share of this reimbursement in the financial statements of the Company amounts to 1,488,000 in 1988. The reimbursement to the Government of Québec will not exceed $5,100,000 for the year ending December 31, 1990.

c) **2645-6608 Québec Inc.**

On September 1, 1989, the owners of the aluminerie Alouette project signed an agreement to construct an aluminum plant in Sept-Îles at an estimated cost of $1,200,000,000. The Company's share of this commitment amounts to $240,000,000.

d) **Donohue St-Félicien Inc.**

Under the terms of an agreement signed in June 1977, the Company has agreed to lend the required funds to Donohue St-Félicien Inc. for the payment of interest and capital of first mortgage bonds issued by the Company at a par value of US $100,000,000 and $35,000,000 if these funds were unavailable through other means.
As at December 31, 1989, the balances of these bonds were US $50,000,000 and $17,500,000 and the debtor foresees having sufficient funds for the yearly payment of capital and interest in July 1990.

The province of Québec has secured the Company's commitment.

e) **Leases**

The significant operating leases under which the companies are committed for the next five years amount to $15,136,000.

10. Pension plans

According to the last actuarial valuations, accrued pension benefits and accumulated assets of the various plans of subsidiaries of the Company are as follows:

	Actuarial value of accrued pension benefits	Market value of assets available for pension benefit payment
	(in thousands of dollars)	
Éthylec Inc.		
(Company's share: 50%)	$ 6,331	$ 4,900
Le Groupe MIL Inc. and its subsidiaries	39,695	43,989
Société générale d'aluminerie Inc.		
(Company's share: 24.95%)	3,210	6,937

11. Contingent liabilities

During the year, a subsidiary of the Company filed a $20,000,000 claim against a company for breach of contract related to shipbuilding. This company filed a counterclaim for $109,000,000. In the opinion of management, the outcome of these claims cannot be determined; any resulting profit or loss will be accounted for in income.

12. Comparative figures

Certain figures from 1988 have been reclassified to confirm with the financial statement presentation adopted for 1989 and to recognize the application of new rules on discontinued operations and extraordinary items.

Number of Employees by Industry Sector

As at December 31	1989	1988
Aluminum		
Albecour Inc.	8	8
Aluminerie de Bécancour Inc.	790	756
Aluminerie Alouette Inc.	11	
Petrochemicals		
Alcools de Commerce Enrg.	73	73
Pétromont, Société en Commandite and Pétromont Inc.	293	250
Forest Products		
Domtar Inc.	15 819	15 965
Shipbuilding and Energy-Related Equipment		
Le Groupe MIL Inc.	4 050	4 248
Transportation Equipment		
Ligma Corporation	219	—
Other	36	28
Total	21 299	21 328

Board of Directors

(as at December 31, 1989)

Michel Audet
Deputy Minister
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* Member of the Executive Committee
§ Member of the Audit Committee
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"Dépôt légal - Troisième trimestre 1990
Bibliothèque nationale du Québec"
ISSN 0704-2981

(Printed in Canada)

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